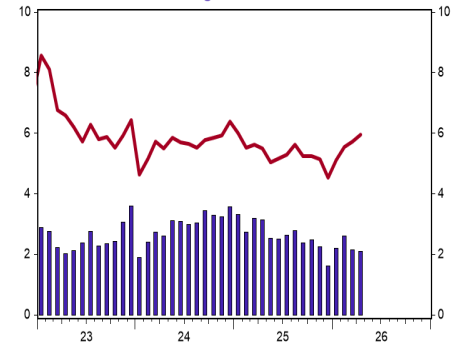


## April Personal Income and Consumption

Andrew Opdyke, CFA – Senior Economist  
 Brian S. Wesbury – Chief Economist  
 Robert Stein, CFA – Dep. Chief Economist

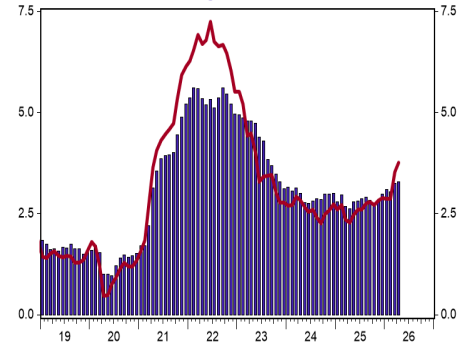
- Personal income was unchanged in April (-0.5% including revisions to prior months), coming in well below the consensus expected +0.4%. Personal consumption increased 0.5%, matching consensus expectations. Personal income is up 2.5% in the past year, while spending has increased 5.9%.
- Disposable personal income (income after taxes) declined 0.1% in April (-0.5% including revisions), but is up 2.6% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.4% in April and is up 3.8% versus a year ago. The “core” PCE deflator, which excludes food and energy, increased 0.2% in April and is up 3.3% in the past year.
- After adjusting for inflation, “real” consumption rose 0.1% in April and is up 2.1% from a year ago.

Personal Consumption Expenditures  
 % Change - Year to Year  
 Real Personal Consumption Expenditures  
 % Change - Year to Year



Source: Bureau of Economic Analysis/Haver Analytics

PCE: Chain Price Index  
 % Change - Year to Year  
 PCE less Food & Energy: Chain Price Index  
 % Change - Year to Year



Source: Bureau of Economic Analysis/Haver Analytics

**Implications:** Consumers ramped up spending in April and more than kept pace with rising inflation. Unfortunately, personal income was unchanged for the month (and fell 0.5% including downward revisions to prior months), coming in below even the lowest estimate submitted by forecasters and marking the second time in three months income has stalled. That said, the details were a little stronger than the headline. Private sector wages and salaries rose 0.3% in April, but that was fully offset by a drop in farm proprietors’ income which had seen a one one-time jump in bridge payments from the Farmers Bridge Assistance Program in March and was simply returning to normal levels. On the spending side, personal consumption rose 0.5% in April, led by gasoline and other energy goods as well as housing and utilities. Collectively, goods spending (which includes energy costs) jumped 0.6% in April while spending on services increased 0.4%. With spending once again outpacing income growth in April, the personal savings rate fell to the lowest level since mid-2022 at 2.6%. This drop in savings allows for more spending today, but isn’t sustainable long-term. Personal income is up only 2.5% in the past year, which suggests tepid growth in consumer spending ahead. Meanwhile, the inflation picture has worsened temporarily due to the conflict with Iran. PCE prices – the Fed’s preferred inflation metric – rose 0.4% in April, while the year-ago reading increased to 3.8%, the highest since early 2023. “Core” prices, which strip out the volatile food and energy categories, rose 0.2% in April, with the year-ago comparison rising to 3.3%, a notable uptick from the 2.6% pace for the twelve-months ending in April 2025. The Fed will be watching this data closely under their new Fed Chair, while trying to determine how monetary policy – which operates with a lag – should respond as we progress deeper into 2026. One critical piece of data the Fed should be (but hasn’t been) watching is the M2 measure of the money supply, which grew 0.5% in April and is up 4.7% in the past year. For comparison, M2 grew at around a 6.0% annual pace in the low-inflation decade preceding COVID. This constrained growth is important, as consumers can dip into saving or use money from tax returns to spend beyond their means for a period of time, but without outsized growth in M2, higher inflation will prove temporary. In other news this morning, initial jobless claims rose 5,000 last week to 215,000, while continuing claims increased 15,000 to 1.786 million, suggesting jobs growth continues at a modest pace.

| Personal Income and Spending<br><i>All Data Seasonally Adjusted</i> | Apr-26       | Mar-26 | Feb-26 | 3-mo % ch.<br>annualized | 6-mo % ch.<br>annualized | Yr to Yr<br>% change |
|---|--------------|--------|--------|--------------------------|--------------------------|----------------------|
| <b>Personal Income</b>  | <b>0.0%</b>  | 0.5%   | 0.0%   | 1.8%                     | 2.7%                     | 2.5%                 |
| <b>Disposable (After-Tax) Income</b>                                | <b>-0.1%</b> | 0.5%   | -0.1%  | 1.4%                     | 3.6%                     | 2.6%                 |
| <b>Personal Consumption Expenditures (PCE)</b>                      | <b>0.5%</b>  | 1.0%   | 0.7%   | 9.0%                     | 6.6%                     | 5.9%                 |
| <b>Durables</b>   | <b>0.0%</b>  | 1.7%   | 3.1%   | 21.0%                    | 9.1%                     | 3.3%                 |
| <b>Nondurable Goods</b>   | <b>1.0%</b>  | 2.5%   | 0.8%   | 18.1%                    | 9.1%                     | 6.9%                 |
| <b>Services</b>   | <b>0.4%</b>  | 0.4%   | 0.3%   | 4.8%                     | 5.5%                     | 6.1%                 |
| <b>PCE Prices</b>   | <b>0.4%</b>  | 0.7%   | 0.4%   | 6.0%                     | 4.8%                     | 3.8%                 |
| <b>"Core" PCE Prices (Ex Food and Energy)</b>                       | <b>0.2%</b>  | 0.3%   | 0.4%   | 3.8%                     | 3.8%                     | 3.3%                 |
| <b>Real PCE</b>   | <b>0.1%</b>  | 0.3%   | 0.3%   | 2.8%                     | 1.7%                     | 2.1%                 |

Source: Bureau of Economic Analysis